IN THE HIGH COURT OF JUSTICE

NO. 001356 OF 2019

IN THE MATTER OF

DRAGON PAYMENTS LTD (FORMERLY LONDON BLOCK EXCHANGE LIMITED) - IN LIQUIDATION

AND

THE INSOLVENCY ACT 1986

THE JOINT LIQUIDATOR'S FIRST ANNUAL PROGRESS REPORT PURSUANT TO PART 18 OF THE INSOLVENCY (ENGLAND AND WALES) RULES 2016 FOR THE YEAR ENDED 3 FEBRUARY 2021

DRAGON PAYMENTS LTD (FORMERLY LONDON BLOCK EXCHANGE LIMITED) - IN LIQUIDATION
Annual Progress Report pursuant to Part 18 of the Insolvency (England and Wales) Rules 2016

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DRAGON PAYMENTS LTD (FORMERLY LONDON BLOCK EXCHANGE LIMITED) - IN LIQUIDATION
Annual Progress Report pursuant to Section 104A of the Insolvency Act 1986

(a) Introduction

We, Paul Cooper and Paul Appleton of David Rubin & Partners, 26-28 Bedford Row, London WC1R 4HE, were appointed as Joint Liquidators of the Company on 4 February 2020 by the Secretary of State, following a Winding up Order made by The High Court of Justice on 31 January 2020 upon a petition presented on 25 February 2019 by Squire Patton Boggs UK LLP.

The Company was incorporated on 15 September 2017 and its principle activity was that of an e-money institution. It also provided cryptocurrency ("Crypto") trading facility to institutional and retail customers in the UK.

The Company's registered office (service location) was at Kemp House, 160 City Road, London, EC1V 2NX and it traded from virtual offices. The Company's name was changed from London Block Exchange Ltd to the current name by passing a special resolution on 24 July 2019. On our appointment, Mr Dives was the sole Director of the Company. The paid up share capital of the Company was £10 and Benjamin Dives and Jonathan Sandelson are the shareholders of the Company with shareholdings of 25% and 75% respectively.

Mr Sandelson was the major funder of the business since incorporation and it appears that the Company owes him and his consortium, sums totalling circa £3.6 million. A formal claim has not yet received in this liquidation.

Upon our appointment, the Company's registered address has been changed to our office address.

This report provides an update on the progress in the liquidation for the year ended 3 February 2020 ("the Review Period").

Rule 18.3: Progress Report

(b) Statutory information

Court:	The High Court of Justice
Reference Number:	001356 of 2019
Company name:	Dragon Payments Limited (formerly London Block Exchange Limited)
Registered office:	1st Floor, 26 - 28 Bedford Row, London, WC1R 4HE
Company number:	10966096
Trading name:	London Block Exchange
Trading address:	Kemp House, 160 City Road, London, EC1V 2NX

(c) Joint Liquidators' name and address:

Paul Cooper, Office Holder Number: 15452, and Paul Appleton, Office Holder Number: 8883 of David Rubin & Partners, and they may be contacted in writing at 26 - 28 Bedford Row, London, WC1R 4HE

(d) Any changes in the Office Holder

We were appointed as Joint Liquidators of the Company on 4 February 2020. There has not been a change in the Office Holders since the original appointment date.

(e) Details of progress during the period and summary account of Receipts and Payments under review:

According to the Official Receiver's observation, there were no assets for the Company. It was estimated that the total liabilities of the Company were £3.6 million, resulting in an estimated net deficiency of £3.6 million.

Upon my appointment, I reviewed the books and records and it was noted that the Company's Domain Name 'lbx.com', provided by GoDaddy.com, may have a potential value. It was also noted that there could be a value attributable to the codebase for the software platform used by the Company. Accordingly, I instructed Agents and Valuers, Williams & Partners Ltd ("WPL") to find a suitable buyer for the same.

It was brought to my attention that several parties had, prior to insolvency, expressed an interest in purchasing the business. Accordingly, I requested WPL to make contact with those prospective purchasers, whilst simultaneously undertaking an appropriate marketing campaign. Whilst this culminated several Non-Disclosure Agreements being signed, no formal offers were received from those parties. However, WPL subsequently received an offer to acquire the Domain Name from a third party Slovakian company, Senza Limiti S.R.O, for £15,000 plus VAT. In the absence of any alternative offers, and on recommendation of WPL, I accepted this offer. The sale was formally completed on 7 May 2020 and the sale proceeds have been received in full.

Having undertaken enquiries in respect of the codebase, it was determined that the intellectual property rights to the pre-existing source code for the platform was owned by a third party and the Company's rights to operate the same under the licence were revoked upon liquidation. Consequently, no realisation was made in this regard.

I received an offer for the Customer database for £500 from a Swiss company. However, having considered the risk, obligations and compliance matters to be followed by the Liquidators under the General Data Protection Regulation (GDPR), it was concluded that there would be no financial benefit for creditors, after costs. Accordingly, I decided not to proceed with this offer.

The Company was one of the Electronic Money Directive (EMD) Agents of CFS-ZIPP Limited ("ZIPP") and at the time of our appointment, ZIPP was holding sums totalling circa £385,830, made up of circa £354,373 and £31,457 for Company's Corporate and Retail customers respectively.

Shortly after our appointment, we reviewed the position of the client money deposited with ZIPP, on trust, by the Company and the effect of the Company's insolvency on these funds. As part of the enquiry, I considered the guidelines issued by Financial Conduct Authority ("FCA") on clients' money. Upon review, it become apparent that the clients' money and financial instruments held by the Company shall remain outside the scope of the insolvency estate and that any such funds should be held on trust for those clients.

Accordingly, we invited the corporate and retail customers, whose deposits are in excess of £100, to provide us with supporting documentation in respect of their identity and deposits in order to cross check these with the Company's records. Upon verification, a request has been made to release funds back to the customers directly by ZIPP. In this regard, a 'block payment' request arrangement is currently in place with ZIPP, in order to minimise the costs payable to ZIPP that would otherwise be borne by the customers from their deposit s. Under

this arrangement, requests are made to ZIPP to return funds to customers only if, and when, sufficient numbers of customers pass their verification process with us.

We assisted corporate and retail clients to recover their deposit s, held by ZIPP, in the sum of circa £48,750 and £13,000 respectively, to date. We await further instructions from the remaining customers, who have not yet made a claim.

Some retail customers' claims are under review. It should be noted that delays are possible to some customers whose verification process has already been completed, due to existing 'block payment requests'.

Those customers whose deposit s are less than £100 were excluded from this process as the costs payable to ZIPP to release the funds outweigh the individual customer's deposit value.

During the Review Period a large number of Crypto customers contacted my team to locate and recover their Crypto but those queries were directed to associated company, Mayan Block Limited ("MBL"), as such assets are under the control of MBL, a separate legal entity. We have been made aware that some customers have recovered their Crypto deposits from MBL whilst others are encountering difficulties eliciting a response. We have attempted to make contact with the Director, who is also the Director of MBL, on multiple occasions in this regard but no response has been forthcoming.

It should be noted that during the Review Period extensive correspondence and telephone exchanges have been held with the Director and customers in respect of various deposit s and, as a result, we have incurred substantial costs in this regard. We will continue trying to contact the Director but Crypto customers should note that we have no locus or control over the affairs of MBL. It may be appropriate if they consider taking their own legal advice to recover their Crypto.

Receipts and Payments Account

A Receipts and Payments Account is attached at Appendix 1, which is further explained below.

It should be noted that, in a compulsory liquidation, the estate funds are held in an interest bearing account with Insolvency Services. I have reconciled all Receipts and Payments with the Insolvecny Service Account. My cashbook balance matches with the balance held at this account.

Receipts

Domain Name

As advised earlier in the report, the Domain Name of the Company was sold for £15,000 plus VAT and I have realised the sale proceeds in full. No further realisation is expected in this regard.

Petitioners' Deposit

The sum of £1,600 was lodged by the petitioner in respect of the administrative fees associated with dealing with the winding-up of the Company. This will be returned to the petitioner should sufficient realisations be made in accordance with insolvency legislation priorities.

Payments

Company Administration Fee – Official Receiver

This fee relates to the amount paid to the Official Receiver's office for services rendered in dealing with the initial stages of the Liquidation prior to my appointment.

General Fee – Official Receiver

This fee is charged on all Compulsory Liquidations and is fixed at £6,000.

ISA Banking Fees

I am required by statute to deposit funds in the Estate account with the Insolvency Service. The Insolvency Service makes quarterly banking charges for operating the account.

Agents fees

WPL was instructed in respect of providing the valuation of the Domain Name and assisting in the sale thereof. WPL was selected as agents on the basis of their experience and expertise in dealing with valuations and sale of assets in insolvency situations, taking into account the locality and size of the Company.

WPL is a member of the National Association Valuers and Auctioneers (NAVA) and has adequate professional indemnity insurance in place.

WPL's fees were agreed on a basis of a fixed fee of £500 plus VAT for valuation and 10% of gross asset realisations achieved from the sale of assets. WPL's total costs of £2,000 plus VAT has been paid as an expense of the Liquidation.

Payments accrued but not paid

Petitioners' Costs

It is understood that costs were incurred by the petitioning creditor for the winding up petition. We have yet to be notified of the quantum of the same. However, these costs will be paid if and when sufficient funds become available in the estate.

Statutory Advertising

This represents the costs for the publishing of statutory advertising in the London Gazette in respect of the notice of the appointment of the Joint Liquidators and to creditors to submit their claims in the liquidation.

Specific Bond

The specific bond is the cost of insurance, based on the level of realisations by the Liquidator, as required by the Insolvency Practitioners Regulations 2005.

Legal Fees

Squire Patton Boggs (UK) LLP ("SPB") was instructed to provide legal advice in respect of the ownership of the Domain Name and to entering into correspondence with a third party purporting to hold security over the Company's interest in the same. SPB's also assisted with the legalities of the unlocking of the Domain Name at GoDaddy.com and the transfer of the intellectual property to the purchaser. SPB fees have been agreed on a time costs basis. I wait to receive an analysis of the time spent on this matter and these costs will be paid as an expense of the Liquidation.

(f) Liquidator's Remuneration and Expenses

Basis of remuneration

As Joint Liquidator, under the provisions of Rule 18.16 of the Insolvency (England and Wales) Rules 2016, we are required to provide creditors with details of the work we propose to undertake in the Liquidation and the expenses we consider will be, or are likely to be, incurred in dealing with the Liquidation Estate, prior to determining the basis upon which our remuneration is to be fixed.

In addition to this, where Joint Liquidators seek to pass a resolution to agree the basis of their remuneration by reference to the time properly spent by themselves and their staff in attending to matters arising in the Liquidation, a fee estimate outlining the time and estimated cost of the work to be done must also be provided.

In this case, we are seeking to agree that our remuneration be based on the time properly spent by us and our staff in dealing with the affairs of the Company. The fee estimate and details of the work we propose to undertake can be found in Appendices 3 and 4 to this report. Please note that where appropriate, the fee estimate may be to a particular stage of the case only and if we consider the estimate will be exceeded during the course of the liquidation, we are allowed to seek further approval for any increase in the remuneration.

I will provide updates on the expenses I consider will be, or are likely to be, incurred during this case with my progress reports in due course.

The process to approve the Joint Liquidator's remuneration is detailed in section (g) below.

Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

We have not utilised the services of any subcontractors in this case.

Liquidator's Remuneration

Our time costs for the year under review are £92,760 and this represents 299.42 hours at an average rate of £309.51 per hour.

We have not drawn any fees on account or our time costs and the full amounts remain outstanding.

I attach, at Appendix 2, a time analysis, which provides details of the activity during this period, analysed by staff grade. Included in the work undertaken by me and my staff is the following:-

i) Notifying creditors of the Liquidators' appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House;

ii) Opening, maintaining and managing the liquidation estate cashbook;

iii) IPS set-up - Creation and update of case files on the firm's insolvency software which include company information, creditors, debtors and employees details;

iv) Notification of Company's Insolvency to Financial Conduct Authority;

v) Completion and filing of the notice of the Company's insolvency to HMRC

vi) Obtaining a case reference and submitting the relevant forms to the Redundancy Payments Service;

vii) Dealing with all matters arising in relation to the Company's former employees including, but not limited to, various correspondence and telephone calls, preparation of the necessary paperwork for claims from the Redundancy Payments Service ("RPS");

viii) Dealing with extensive enquiries from customers both by correspondence and by telephone, and assisting them to recover their deposit s and return of client monies held with ZIPP;

ix) Dealing with creditors' enquiries, both by correspondence and by telephone, and noting their claims;

x) Applying for the Joint Liquidators' bond, as required by the Insolvency Practitioners Regulations 2005;

xi) Carrying out preliminary investigations and searches;

xii) Correspondence with the Official Receivers' Office in respect of the handover of case documentation;

xiii) Instructing and liaising with agents in respect of the valuation the Company's Domain Name;

xiv) Correspondence with my agents and the purchaser in respect of the sale of Domain Name;

xv) Assessment of Receipts and Payments to date and review of likely dividend prospects;

xvi) Initial assessment required by Statement of Insolvency Practice 2 including the review of the Company's books and records;

xvii) Preparation and submission to HMRC of the relevant tax and VAT returns;

xviii) Liaising with the Company's pre-liquidation bank in respect of closure of the account, and the provision of copy statements and other relevant documentation;

xix) Carrying out quarterly case reviews;

xx) Undertaking case reviews on a quarterly basis; and

xxi) Sundry statutory and administrative duties.

I anticipate that further costs will be incurred before concluding this liquidation.

Liquidator's expenses

Expenses incurred in the liquidation are explained at (e) above in my comments on the Receipts and Payments Accounts.

Statutory and Compliance Work

Information on the anticipated outcome for creditors in this case can be found at section (h) of this report. A Liquidator is not only required to deal with correspondence and claims from unsecured creditors (which may include retention of title claims), but also those of any preferential creditors of the Company.

The above work will not necessarily bring any financial benefit to creditors generally. However, a Liquidator is required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Liquidator in dealing with those claims.

Creditors' rights – Rule 18.9 and Rule 18.34

i) Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Liquidator provides further information about his remuneration or expenses which have been itemised in this progress report.

ii) Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that the basis fixed for the Liquidator's remuneration, the remuneration charged or the expenses incurred by the Liquidator as set out in this progress report are excessive.

(g) Seeking Decisions of Creditors by correspondence

Based on the available funds in the liquidation, it is very unlikely that we will be able to recover more than £3,500 out of our time costs incurred to date of £92,760, let alone the fee estimate of £126,252.50, as set out in Appendix-3, for the time incurred to date plus the work anticipated until conclusion of the Liquidation. However, we should have approval in place from the creditors in the event funds become available to draw our fees insofar as possible.

Accordingly, I am seeking Decisions of Creditors for our time costs incurred to date of £92,760 to be approved, details of which are set out in the Notice of Decision Procedure at Appendix-5. In the event that further realisations are made and funds become available that will result in a financial benefit for creditors, I may, at that juncture, seek creditor approval to increase this fee to the level of our fee estimate, as reported above.

Creditors are being asked to consider and, if thought fit, approve the following resolutions, which are also detailed on the Voting Form:

- That a Liquidation Committee of Creditors be formed in the event that there are a requisite number of nominations.

- In the event that there are insufficient nominations to enable a Liquidation Committee to be formed, that the Joint Liquidators' remuneration be fixed by reference to the time properly given by themselves and their staff in attending to matters arising in the Liquidation and that they be authorised to draw such remuneration from time to time as funds allow.

- That the Joint Liquidators be authorised to recover their disbursements on the basis of the tariff disclosed to creditors in their report and that they be authorised to draw such disbursements from time to time as funds allow.

If you wish to serve as a member of the Liquidation Committee, please indicate your willingness to do so in writing when returning your proxy and proof of debt forms.

It is important procedurally that you complete and return the Voting Form supported by a Proof of Debt form. A Notice of Decision Procedure in this regard together with the voting form will be sent separately and I should be grateful if you would attend to this, clearly stating your voting intentions, as soon as possible.

(h) Creditors and Distributions

(i) (a) Secured creditors

There are no secured creditors in this liquidation.

(b) Prescribed Part

The Prescribed Part under the provision of section 176A of the Insolvency Act 1986 does not apply here given that there are no Secured Creditors.

(ii) Preferential creditors

Claims from preferential creditors typically involve employee and occupation pension scheme claims.

Under the provisions of Insolvency legislation, employees have preferential claim in respect of unpaid wages up to a maximum of £800 and Holiday Pay. Occupations Pension Scheme, if any, shall also have a preferential claim for any employee contribution arrears up to 4 months. However, there appears to be no such occupation pension scheme in this case.

The Company had 13 employees. A significant element of the preferential amount has been paid by the Redundancy Payments Service (RPS), subject to statutory limit, and as a result the RPS will have a subrogated claim in the liquidation for the payments advanced to the employees. The employees may continue to have a preferential claim for the shortfall owed to them for preferential element of Arrears of Wages and Holiday Pay. Outstanding amounts to employees in respect of Arrears of Wages in excess of £800, Redundancy and Notice Pay entitlements will rank as unsecured claim in the liquidation.

I have not received a formal claim from the RPS in respect of their preferential claim. The residual balances owed to employees in respect of their preferential claims remain to be adjudicated.

I have not undertaken the task of agreeing preferential creditors' claims due to insufficient funds in this liquidation, after costs, to enable a dividend to become payable to this class of creditor.

(iii) Unsecured creditors

The Official Receiver observed that the deficiency as regards to creditors in this liquidation would be in the region of £3.6 million. However, I have noted that directors' and shareholders' loans and debt owed to inter-companies would be circa £4.3 million. In addition , based on the list provided by the Director, the debt owed to thirty unsecured creditors, including employees and HM Revenue and Customs, amounts to £1.78 Million. It is therefore believed that the total deficiency to creditors would be in excess of £6.2 million.

I wrote to all known creditors at the start of the process requesting them to submit a claim in the liquidation. A notice to submit a claim was also advertised in the London Gazette.

During the Review Period, I received unsecured claims totalling £814,421 from 13 creditors.

Dividend prospects

There are insufficient funds available to pay a dividend to creditors when Liquidation costs and expenses are taken into account. Accordingly, I regret to advise that there are no prospects of a dividend to any class of creditor in this matter.

(i) Details of what remains to be done

I do not anticipate any further realisations to be made in this matter. However, some recovery may be possible from further investigation into the affairs of the Company but a lack of assets and insufficient funds in the liquidation estate limits our ability to undertake further investigations, unless funding is made available from creditors and/or customers.

We will continue to assist the customers to recover their money held with ZIPP.

The Liquidation will remain open until the above matters have been concluded.

(j) Other information of relevance to creditors:

Investigations

As you may be aware, in a compulsory liquidation the duty to investigate the Company's affairs is the responsibility of the Official Receiver. There is no requirement on the Joint Liquidators to submit a report or return on the Directors' conduct to the Department for Business, Energy & Industrial Strategy. However, where matters are brought to the Joint Liquidators' attention, these will be reported to the Official Receiver for further consideration.

I would confirm that I made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate and that may need reporting to the Official Receiver. This assessment took into account information provided by creditors, customers and the Director. I also undertook an initial review of the Company's electronic records available and entered into correspondence with Director and other relevant parties including customers and creditors in order to seek explanations and clarifications where appropriate.

It appears from the last submitted financial statements for the year ended 30 September 2018 that the Company was insolvent on a cash flow and balance sheet basis. However, without an in-depth investigation, it is not known whether there are any merits in bringing a claim for wrongful trading and misfeasance against the Director.

In February 2019, a winding up petition was presented and any dispositions of the Company's property after the date of the presentation of the petition are void pursuant to Section 127 of the Insolvency Act 1986, unless the Court orders otherwise. A detailed investigation would need to be undertaken in order to ascertain the post-petition dispositions.

It was noted that the Company is connected to the following companies, by virtue of common directorship and control, and there were inter-company dealings. It is unclear whether there are causes for concerns in respect of possible transactions at an undervalue and/or preferential payments unless a thorough detailed investigation is carried out.

- Mayan Block Ltd (Formerly LBX Trading Ltd)
- AXIS Mundi Global Custody Ltd (Formerly LBX Custody Ltd)
- Launch Pay Ltd (Formerly LBX Pay Ltd)
- Minton Byrne Ltd (Formerly LBX Peg Ltd)
- LBX Digital Custody Ltd (Dissolved on 26 November 2019)
- LBX Markets Ltd (Dissolved on 10 December 2019).
- LBX Ltd (Dissolved on 31 March 2020).
- London CryptoCurrencies Exchange Ltd (Dissolved on 3 September 2019)

Due to the complexity of the Company's trading operations and limited information available, experts' advice might be required, and further queries and analysis would need to be undertaken to consider any potential rights of actions against certain parties, including Directors and connected companies, pursuant to the Insolvency Act 1986. The potential rights of actions include, *inter alia*, claims for misfeasance, transactions at undervalues, preferences, wrongful trading and fraud.

Due to insufficient funds in the liquidation, I was unable to carry out more detailed and targeted investigations. If any creditors or customers are willing to fund a detailed

investigation, please contact me within 21 days of receipt of this report. If no response is received, I will have no alternative but to abandon any such investigation and proceed with finalising the matters referred to in section (i) above and then conclude the Liquidation. It should be noted that any creditors and customers who wish to contribute to the Liquidators' investigation would be paid first out of the recoveries made from such investigation, but after the costs of liquidation.

(k) Next report

I am required to provide a further report on the progress of the liquidation within two months of the end of the next anniversary of the liquidation, unless I have concluded matters prior to that, in which case I will write to all creditors with my Final Account, which will conclude my administration of the Liquidation.

I trust you will find this report adequate for your purposes but should you require any further information, please do not hesitate to contact, in the first instance, either my Senior Manager, Darren Ellis, or his colleague, Riji GopiNathan, at this office.

Paul S

PAUL COOPER - JOINT LIQUIDATOR

DATE: 16 March 2021

DRAGON PAYMENTS LTD (FORMERLY LONDON BLOCK EXCHANGE LIMITED)

IN LIQUIDATION

Liquidator's Abstract of Receipts & Payments

For the Period 4 February 2020 to 3 February 2021

	Estimated to Realise £	Realised 3 Feb 2021 £
Receipts		
Domain Name	Nil	15,000.00
Petitioner's Deposit		1,600.00
		16,600.00
Payments		
Company Administration Fee - Official Receiver		5,000.00
General Fee - Official Receiver		6,000.00
Insolvency Services Banking Fees		88.00
Agents Fees		2,000.00
		13,088.00
Receipts less Payments		3,512.00
Represented by:-		
Insolvency Services Account		6,112.00
Net VAT Payable		(2,600.00)
		3,512.00

APPENDIX 2

DRAGON PAYMENTS LIMITED - IN COMPULSORY LIQUIDATION

LIQUIDATOR'S TIME COSTS
FOR THE PERIOD 4 FEBRUARY 2020 TO 3 FEBRUARY 2021
SIP 9 TIME SUMMARY

Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
IPS set up & maintenance	00:00	00:00	03:12	00:00	03:12	640.00	200.00
Statutory filings,circulars, notices, etc.	00:00	05:00	25:36	00:00	30:36	9,104.50	297.53
Case planning, strategy & control	00:00	01:30	09:54	00:00	11:24	2,680.50	235.13
Taxation: PAYE, C/Tax & VAT	00:00	00:12	00:00	00:00	00:12	79.00	395.00
Accounting & Cashiering	00:00	00:00	00:00	02:48	02:48	616.00	220.00
Case reviews & Diary maintenance	00:00	00:18	05:12	00:00	05:30	1,317.50	239.55
Investigations							
OR: CDDA matters & correspondence	00:00	00:00	00:42	00:00	00:42	206.50	295.00
SIP2 assessment and financial review	00:00	02:12	02:18	00:00	04:30	1,375.00	305.56
Antecedant transactions & wrongful trading	00:00	00:00	02:00	00:00	02:00	590.00	295.00
Realisation of assets							
Intangible assets	00:00	03:30	00:00	00:00	03:30	1,382.50	395.00
Tangible assets	04:30	14:12	00:48	00:00	19:30	8,012.50	410.90
Creditors							
Unsec'd Creditors: correspondence & claims	02:30	60:30	119:18	00:00	182:18	57,396.00	314.84
Preferential creditors & employees	00:00	07:18	26:12	00:00	33:30	9,360.00	279.40
Total hours and costs	07:00	94:42	195:12	02:48	299:42	92,760.00	309.51

APPENDIX 3

DRAGON PAYMENTS LIMITED - IN COMPULSORY LIQUIDATION

PROPOSED LIQUIDATOR'S ESTIMATE OF TIME COSTS

Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
IPS set up & maintenance	00:00	01:00	02:00	00:30	03:30	942.50	269.29
Statutory filings,circulars, notices, etc.	00:30	06:00	30:00	00:00	36:30	11,007.50	301.58
Case planning, strategy & control	02:00	03:00	03:00	00:00	08:00	3,060.00	382.50
Taxation: PAYE, C/Tax & VAT	00:00	01:00	02:00	00:00	03:00	795.00	265.00
Accounting & Cashiering	00:30	00:00	00:00	09:00	09:30	2,527.50	266.05
Case reviews & Diary maintenance	01:00	02:00	04:00	00:00	07:00	2,275.00	325.00
Statutory reporting and compliance	01:50	15:00	03:00	00:00	19:50	7,432.50	374.75
Investigations							
Assessment and financial review	02:00	09:00	09:00	00:00	20:00	6,345.00	317.25
Antecedant transactions	02:00	07:00	03:00	00:00	12:00	4,355.00	362.92
Realisation of assets							
Tangible assets	04:30	14:12	02:48	00:00	21:30	8,472.50	394.07
Creditors & distributions							
Unsec'd Creditors: correspondence & claims	04:00	85:00	140:00	00:00	229:00	76,855.00	335.61
Preferential creditors & employees	00:00	03:00	05:00	00:00	08:00	2,185.00	273.13
Total hours and costs	18:20	146:12	203:48	09:30	377:50	**126,252.50**	334.15

APPENDIX 4

DRAGON PAYMENTS LIMITED (FORMERLY LONDON BLOCK EXCHANGE LIMITED)

LIQUIDATORS' FEE ESTIMATE IN ACCORDANCE WITH THE INSOLVENCY (ENGLAND AND WALES) RULES 2016 AND STATEMENT OF INSOLVENCY PRACTICE 9

Rule 18.16(4) of the Insolvency Rules 2016 requires that a Liquidator provides creditors with a summary of his estimate of costs for the work to be undertaken and, where an hourly rate is proposed, an estimate of the expected time, together with details of the expenses likely to be incurred.

Creditors are advised that it is an extremely difficult task to provide a definitive estimate of the costs of the Liquidation. Given the complexities of the case, it is difficult to provide an exact assessment of the costs to be incurred in attending to the various matters outlined in the report. Until I have had an opportunity to complete a thorough review of the Company's books and records and, where applicable, conduct enquiries with the Company's key personnel, I am unable to confirm whether my initial causes for concern in respect of possible post-petition dispositions, preference payments and wrongful trading can be pursued, or the level of time required to be applied to securing recoveries, if appropriate. Similarly, the verification, agreement and return of client monies, where possible, together with dealing with the numerous enquiries in that regard, are likely to require my staff and I to devote a significant amount of time to the case.

In light of the above, the estimate provided, at best, could only be viewed as a guide, although it is a ceiling that is initially binding on a Liquidator.

The estimate is also intended to be viewed on a total basis and not on the basis of the individual tasks, which have been provided as a guide only. It is inevitable that provisions for some tasks will be overestimated whilst others will be underestimated and, therefore, the guide should be taken as a whole.

I intend to complete further assessment of the Company's financial affairs and assess whether there could be any matters that may lead to recoveries for the liquidation estate and what further specific and targeted investigations may be appropriate. This assessment will take into account information provided by creditors and a review of the Company's financial records and bank accounts. Therefore, as Joint Liquidators, we reserve the right to refer back to creditors should we consider that the time cost fee estimate will be exceeded. In such case, we will provide creditors with relevant information on the reasons for this and an updated fee estimate if this proves necessary.

To view an explanatory note approved by the Joint Insolvency Committee concerning liquidators' remuneration, please visit the Publications folder on our website at www.drpartners.com/cases using the following username and password to log in:-

USERNAME: D1026@drco.co.uk PASSWORD: 6201Dde*!

Alternatively, please contact this office to arrange for a copy to be sent to you.

Set out below is a list of the minimum tasks that a Liquidator has to carry out generally in respect of all liquidations in order to comply with Statutory Regulations and best practice directives issued by the Joint Insolvency Committee, which all Insolvency Practitioners in the U.K. are bound by and which are monitored by the Liquidator's Regulatory Body. The best practice directives are mostly set out in a series of *Statements of Insolvency Practice*, better known as SIPs and also in the *Insolvency Practitioner Code of Ethics* which is detailed at www.icaew.com/membershandbook. You will find copies of all the SIPs on R3's website:

https://www.r3.org.uk/what-we-do/publications/professional/statements-of-insolvency-practice

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R3 (also known as the Association of Business Recovery Professionals) is the trade body for the UK insolvency profession. You may also like to visit the following site launched by R3 specifically to guide creditors through the insolvency process: http://www.creditorinsolvencyguide.co.uk

I have set out against each task the time we estimate to be necessary to complete each particular task properly, analysed by different grades of staff. Our firm's general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the task and case. The constitution of the case team will usually consist of a Partner, Senior Manager, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

Proposed Fee Basis

We are seeking Decisions of Creditors for the Joint Liquidators' remuneration to be based on time costs. Our time costs for the year under review are £92,760 and additional costs will be incurred before the conclusion of the Liquidation. The fee estimate of £126,252.50, which incorporates the time costs incurred to date, plus the future time until conclusion of the Liquidation, is attached at Appendix-3. This estimate has been made on the assumption that the Liquidation will be concluded within a year and represents the maximum fees that the Joint Liquidators can charge unless further sanction is obtained from creditors. Notwithstanding our fee estimate, we are seeking Decisions of Creditors for the basis of our fees to be fixed by reference to the time properly spent our staff and ourselves and for our time costs incurred to date of £92,760 to be approved.

In the event that further realisations are made and funds become available that will result in a financial benefit for creditors, I will, at that juncture, seek creditor approval to increase this fee to the level of our fee estimate, as reported above.

My firm's current hourly charge-out rates applicable to this appointment, which are charged in units of 6 minutes exclusive of VAT, are as follows:

	£
Senior / Managing Partners	550
Partners/Office holders	495
Managers / Senior Managers	350 - 395
Senior Administrators	220 - 295
Administrators	160- 200
Cashiers and Assistants	150 - 295
Supports	120- 150

Chargeout rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance.

Explanations of the Estimates

The majority of the tasks listed below are self-explanatory or have been explained in the report and, therefore, I do not propose to elaborate on these in further detail. Creditors who require further details should feel free to contact my office. However, creditors may get a better understanding of the work involved if I list out, in broad terms, the various tasks involved:

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Administration (including statutory compliance & reporting)

Under insolvency legislation the liquidator must comply with certain statutory compliance requirements which may not bring any direct financial benefit to the creditors of the Company. A list of these tasks, as applicable, consists of:

- Notifying creditors of the liquidator's appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House
- Opening, maintaining and managing the liquidation estate cashbook, bank account(s).
- IPS set-up - Creation and update of case files on the firm's insolvency software which include company information, creditors, debtors and employees details.
- Securing the Company's books and records
- Complying with statutory duties in respect of the liquidator's specific penalty bond
- Redirection of the Company's mail to the liquidator's office
- Pension regulatory reporting and auto-enrolment cancellation
- Completion and filing of the notice of the Company's insolvency to HMRC
- Dealing with former employees to provide support and assistance in lodging any claims they may be entitled to make for unpaid wages, holiday pay and other statutory entitlements from the National Insurance Fund and the Company
- Dealing with all post-appointment VAT and corporation tax compliance
- Liaison with secured creditors, obtaining charge documents and validating the security
- Initial assessment required by Statement of Insolvency Practice 2 including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the liquidation
- Preparing and issuing annual progress reports to members and creditors
- Lodging periodic returns with the Registrar of Companies for the liquidation
- Establishing and holding periodic meetings of the liquidation committee and associated filing formalities (if a committee is appointed)
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter). Although these reviews are not legal requirements, Regulatory Bodies who monitor the work of Office Holders see these tasks as best practice requirements with which the Office Holders are required to comply.

Investigations

My initial investigations indicate that potential recoveries may be available for the insolvent estate but extensive further work needs to be carried out to pursue certain rights of action. However, creditors should be mindful that this work may not necessarily lead to any financial benefit but only assist in ascertaining the final position.

It is our intention to carry out a wider investigation into the affairs of the Company, but subject to the availability of the funds in the estate. A provision for the anticipated time for the wider investigation has been included in the enclosed fee estimate. However, if there is no funding, these works may not be carried out.

The time estimated for additional work is the minimum that is considered necessary in order to carry out any meaningful assessment. Following this further assessment, the Liquidators would then be in a position to consider whether more specific and targeted work is necessary in order to investigate any instances of antecedent transactions and wrongful trading.

At the time of providing this estimate it is premature to say whether there will be any follow up enquiry into any misfeasance. However, as a Liquidator cannot be paid fees unless he has provided an estimate for the work, I have made a small estimate to cover this area in the event that some further work might be necessary.

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Realisation of assets

Although all known assets have been either realised or dealt with, some recovery may be possible from further investigation into the affairs of the Company.

As Joint Liquidators, we will undertake appropriate further investigations into the Company's affairs and will confirm the likely return to creditors in my next progress report, as applicable.

Creditors (claims and distributions)

The Joint Liquidators will have to deal with all secured, preferential and unsecured creditors' correspondence and claims as received, including any claims of creditors under retention of title.

We will deal with all queries as and when received, review and adjudicate on creditors' claims, as appropriate, if and when it is determined that a dividend is to be declared to that class of creditor.

It should be noted that the above is based on the information currently available and the projected realisable value of any additional Company assets, which at this stage is unconfirmed and may depend on the proposed investigatory work.

Based on current information, it appears unlikely that there will be a dividend payable to unsecured creditors. Accordingly, I have only provided an estimate for dealing with creditors' enquiries and for acknowledging their claims.

EXPENSES AND DISBURSEMENTS

As also noted, I am required to provide creditors with details of the expenses I consider will be, or are likely to be, incurred in the liquidation.

Direct expenses ("Category 1 disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case, will be charged to the estate at cost, with no uplift. These include, but are not limited to, such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

Below is a table which outlines the expenses that I consider at this stage will be, or are likely to be incurred in dealing with the Company's affairs. I will provide update to creditors in my future progress reports.

Expense	**Basis of fee arrangement**	**Estimated Costs**
Agent's costs in dealing with property/chattel asset sales	£500 plus VAT for valuation and 10% of gross asset realisations achieved	£2,000
Solicitor's costs in dealing with sale of assets/property/ antecedent transactions	Time Costs (plus disbursements	To be Confirmed
Statutory advertising	At cost	£94.50
Liquidator's bond	At cost	£64.80

Indirect expenses ("Category 2 disbursements")

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Category 2 disbursements require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Approval to charge these will be sought from creditors when the basis of my remuneration as Liquidator is fixed. The Category 2 disbursements which this firm proposes to charge in this case are unlikely to exceed £2,000 overall and are as follows:-

Headed paper	25p per sheet
Photocopying	6p per sheet
Envelopes	25p each
Postage	Actual cost
Meeting room facility	£150

Storage and Archiving Charges

We use a commercial archiving company for storage facilities for companies' records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £60 per hour.

Travel

Mileage incurred as a result of any necessary travelling is charged to the estate at HM Revenue & Customs approved rate, currently 45p per mile.